

Message Text

CONFIDENTIAL

PAGE 01 CAIRO 09188 241334Z
ACTION SS-25

INFO OCT-01 ISO-00 SSO-00 /026 W
-----119624 242337Z /64

R 241328Z MAR 78
FM AMEMBASSY CAIRO
TO SECSTATE WASHDC 7109
INFO AMEMBASSY ABU DHABI
AMEMBASSY DOHA
AMEMBASSY JIDDA
AMEMBASSY KUWAIT
SECDEF WASH DC

C O N F I D E N T I A L CAIRO 09188

EXDIS

E.O. 11652: GDS
TAGS: MASS, EG, SA, TC, KU
SUBJECT: FUNDING OF F-5'S FOR EGYPT--GAMASY'S IDEA

REF: CAIRO 9127

1. HAD OPPORTUNITY LAST EVENING TO ASK GAMASY IF GOE HAS DONE ANY THINKING ON HOW FUNDING FOR F-5'S MIGHT BEST BE ARRANGED. GAMASY STATED THAT HE HAD ALREADY SENT A "MEMORANDUM" TO SADAT ON FUNDING REQUIREMENTS FOR F-5'S AND OTHER NEEDED MILITARY EQUIPMENT. HE HOPED TO DISCUSS SUBJECT FURTHER WITH SADAT THIS COMING WEEKEND. IT WAS HIS IMPRESSION THAT SADAT WOULD SEND LETTER TO KING KHALID ASKING FOR SAUDI FINANCIAL ASSISTANCE. HE DID NOT KNOW IF SADAT (OR THE SAUDIS) MIGHT ALSO WISH TO SEEK CONTRIBUTIONS FROM QATAR OR ABU DHABI FOR THE PURCHASE. THIS WAS A MATTER FOR SADAT TO DECIDE.

2. ASKED ABOUT PAYMENT MODALITIES, GAMASY NOTED THAT GOE'S ARRANGEMENTS IN CONNECTION WITH A RECENT MILITARY

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PAGE 02 CAIRO 09188 241334Z

EQUIPMENT PURCHASE FROM FRANCE (UNIDENTIFIED) TOOK THE FORM OF SAG DEPOSITING ENTIRE AMOUNT IN AN ESCROW ACCOUNT IN A EUROPEAN BANK. (HE PROFESSED NOT TO RECALL EXACTLY WHERE THE ACCOUNT WAS OPENED.) BANK MAKES PAYMENT FROM THIS ACCOUNT TO FRANCE WHEN PAYMENTS BECOME DUE. HE THOUGHT THAT IF HANDLING OF F-5 PAYMENTS COULD BE ARRANGED SAME WAY, THIS WOULD MAKE IT EASIER FOR ALL CONCERNED.

3. COMMENT: ASSUMING SAUDIS AGREE TO FINANCE F-5'S,
WE WONDER WHETHER THEY WOULD BE WILLING TO DEPOSIT AS
SIZABLE AN AMOUNT AS 400 MILLION DOLLARS IN AN ESCROW
ACCOUNT. THOUGHT OCCURS TO US, HOWEVER, THAT SINCE SALE
IS OVER FOUR YEAR PERIOD, PERHAPS SAUDIS WOULD BE WILLING
DEPOSIT APPROXIMATELY 100 MILLION DOLLARS A YEAR INTO
SUCH AN ACCOUNT TO FACILITATE PAYMENT ARRANGEMENTS.
WOULD WELCOME DEPT'S AND AMEMBASSY JIDDA'S REACTION TO
GAMASY'S SUGGESTIONS. EILTS

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Draft Date: 24 mar 1978
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